

CITY OF CHENEY, KANSAS

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2011

George, Bowerman & Noel, P.A.
Certified Public Accountants

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Summary of Cash Receipts, Expenditures and Unencumbered Cash.....	2
Summary of Expenditures – Actual and Budget	4
Statement of Cash Receipts, Expenditures and Changes in Unencumbered Cash Balances – Actual and Budget For:	
General	5
Special Revenue Funds:	
Library	8
Statement of Cash Receipts, Expenditures and Changes in Unencumbered Cash Balances – Actual for:	
Gifts and Memorials	9
Parks and Recreation	10
City of Cheney, Kansas Public Building Commission.....	11
Statement of Cash Receipts, Expenditures and Changes in Unencumbered Cash Balances – Actual and Budget	
Debt Service Funds:	
Bond and Interest.....	12
Statement of Cash Receipts, Expenditures and Changes in Unencumbered Cash Balances – Actual for:	
Capital Project Funds:	
Park Improvement Project.....	13
Water Main Replacement Project.....	14
Northridge Estates Water Improvement Project.....	15
Capital Improvement Reserve.....	16
Capital Equipment Reserve	17
Capital Equipment Police Reserve.....	18
Capital Equipment Fire Reserve.....	19
Statement of Cash Receipts, Expenditures and Changes in Unencumbered Cash Balances – Actual and Budget for:	
Enterprise Funds:	
Water Utility	20
Sewer Utility	21
Gas Utility	22
Statement of Cash Receipts, Expenditures and Changes in Unencumbered Cash Balances – Actual for:	
Enterprise Funds:	
Water Maintenance Reserve.....	23
Sewer Maintenance Reserve.....	24
Gas Maintenance Reserve	25

TABLE OF CONTENTS
(continued)

	<u>Page</u>
Statement of Cash Receipts and Expenditures – Agency Funds:	
Payroll Clearing	26
Agency	26
Meter Deposit	26
Notes to Financial Statements	27

George, Bowerman, & Noel, P.A.

*Certified Public Accountants
Management Consultants
Tax Advisors*

Epic Center 301 N. Main, Suite 1350 Wichita, Kansas 67202 Telephone (316) 262-6277 Fax (316) 265-6150

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
City Council
City of Cheney
Cheney, Kansas

We have audited the accompanying financial statements of the City of Cheney, Kansas, as of and for the year ended December 31, 2011, and the individual fund financial statements of the City as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial (and summarized) comparative information has been derived from the City's December 31, 2010 financial statements and, in our report dated October 12, 2011 we expressed an unqualified opinion on the statutory basis financial statements prepared on the basis of accounting described in Note 1.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the City of Cheney, Kansas, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, because of the City's policy to prepare its financial statements on the basis of accounting as discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Cheney, Kansas, as of December 31, 2011, or the results of its operations for the year then ended.

However, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of the City of Cheney, Kansas, as of December 31, 2011, and its cash receipts, cash disbursements and expenditures compared to budget, for the year then ended on the basis of accounting described in Note 1. Also, in our opinion, the individual fund financial statements as of and for the year ended December 31, 2011, present fairly, in all material respects, the unencumbered cash balances and cash receipts and expenditures, on the basis of accounting described in Note 1.

George, Bowerman & Noel, P.A.

Wichita, Kansas
November 8, 2012

CITY OF CHENEY, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

For the year ended December 31, 2011

	Beginning Unencumbered Cash Balance (Deficit)	Prior Year Canceled Encum- brances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance (Deficit)	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance (Deficit)
General Fund	\$ 301,752	\$ -	\$ 1,937,217	\$ 1,907,822	\$ 331,147	\$ 25,075	\$ 356,222
Special Revenue Funds:							
Library	218	-	44,608	44,608	218	-	218
Gifts and Memorials	6,462	-	13,022	10,827	2,195	-	2,195
Parks and Recreation	248	-	-	-	248	-	248
Cheney Public Building Commission	-	-	626,695	622,459	4,236	6,762	10,998
Debt Service Funds:							
Bond and Interest	172,344	-	772,717	765,353	179,708	4,380	184,088
Capital Project Funds:							
Park Improvement Project	20,239	-	12,597	12,453	20,383	-	20,383
Northridge Estates Water Improvement Project	(19,415) *	-	1,582	-	(17,833)	-	(17,833)
Capital Improvement Reserve	39,457	-	497	-	39,954	-	39,954
Capital Equipment Reserve	207,776	-	42,307	76,717	173,366	-	173,366
Capital Equipment Police Reserve	20	-	-	-	20	-	20
Capital Equipment Fire Reserve	33,463	-	15,408	4,163	44,708	-	44,708
Enterprise Funds:							
Water Utility	217,478	-	574,441	484,595	307,324	3,785	311,109
Sewer Utility	333,393	-	305,940	255,359	383,974	-	383,974
Gas Utility	253,205	-	569,438	603,931	218,712	56,494	275,206
Water Maintenance Reserve	5,024	-	5,063	-	10,087	-	10,087
Sewer Maintenance Reserve	159,790	-	2,012	-	161,802	-	161,802
Gas Maintenance Reserve	162,400	-	2,044	-	164,444	-	164,444
Total Primary Government (excluding agency funds)	1,893,854	-	4,925,588	4,788,287	2,031,155	96,496	2,127,651
Component Units:							
Cheney Public Library	68,380	-	65,473	58,320	75,533	-	75,533
Total Reporting Entity (excluding agency funds)	\$ 1,962,234	\$ -	\$ 4,991,061	\$ 4,846,607	\$ 2,106,688	\$ 96,496	\$ 2,203,184

* - Per K.S.A. 10-1116, the limits of indebtedness may be exceeded when provision has been made for payment by the issuance of bonds or temporary notes.

CITY OF CHENEY, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

For the year ended December 31, 2011

Composition of Cash:	
Primary Government:	
The Citizens State Bank, Cheney, Kansas:	
General checking now account	\$ 4,174
Money market account	1,027,897
Checking account – General	500
Checking account – Cherry Oaks Golf Course	2,000
Certificate of deposit	495,490
Certificate of deposit	603,984
Cash on hand	70
Funds Held by Trustee – Security Bank of	
Kansas City:	
U.S. Government securities	<u>28,129</u>
Total Primary Government	2,162,244
Less Agency Funds	<u>(34,593)</u>
Total Primary Government (excluding agency funds)	<u>2,127,651</u>
Component Unit:	
Cheney Public Library:	
The Citizens State Bank, Cheney, Kansas:	
General checking now account	3,307
Money market account	2,578
Money market account	16,342
Certificate of deposit	<u>53,306</u>
Total Cheney Public Library	<u>75,533</u>
Total Reporting Entity (excluding agency funds)	<u>\$2,203,184</u>

The accompanying notes are an integral part of the financial statements.

CITY OF CHENEY, KANSAS

**SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
(BUDGETED FUNDS ONLY)**

For the year ended December 31, 2011

	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
General Fund	\$ 1,947,710	\$ -	\$ 1,947,710	\$ 1,907,822	\$ 39,888
Special Revenue Funds:					
Library	45,225	-	45,225	44,608	617
Debt Service Fund:					
Bond and Interest	288,779	517,990	806,769	765,353	41,416
Enterprise Funds:					
Water Utility	342,780	182,010	524,790	484,595	40,195
Sewer Utility	375,468	-	375,468	255,359	120,109
Gas Utility	976,980	-	976,980	603,931	373,049

The accompanying notes are an integral part of the financial statements.

CITY OF CHENEY, KANSAS

GENERAL FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH BALANCES –
ACTUAL AND BUDGET
(continued on next page)**

	Year ended December 31,			
	2011			Variance
	2010			Over
	Actual	Actual	Budget	(Under)
Cash receipts:				
Taxes	\$ 622,069	\$ 608,804	\$ 625,530	\$ (16,726)
Intergovernmental	371,474	375,231	268,175	107,056
Licenses, fees and permits	173,043	175,783	146,000	29,783
Charges for services	628,077	680,210	614,800	65,410
Fines and forfeitures	20,520	18,048	18,000	48
Use of money and property	7,987	8,013	7,600	413
Miscellaneous	23,237	28,628	71,750	(43,122)
Transfers in	—	42,500	42,500	—
Total cash receipts	<u>1,846,407</u>	<u>1,937,217</u>	<u>\$ 1,794,355</u>	<u>\$ 142,862</u>
Expenditures:				
General government:				
Administration:				
Personal services	95,557	106,638	\$ 114,700	\$ 8,062
Contractual services	56,746	44,128	60,100	15,972
Commodities	4,026	3,582	5,200	1,618
Capital outlay	43,162	415	9,000	8,585
Debt service	17,533	—	—	—
Transfer out	<u>90,000</u>	<u>40,100</u>	<u>40,100</u>	<u>—</u>
Total general government	<u>307,024</u>	<u>194,863</u>	<u>229,100</u>	<u>34,237</u>
Public safety:				
Police department:				
Personal services	272,858	302,764	298,850	(3,914)
Contractual services	18,361	23,738	23,750	12
Commodities	22,054	23,964	17,400	(6,564)
Capital outlay	12,670	18,394	30,000	11,606
Debt service	<u>14,487</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total police department	<u>340,430</u>	<u>368,860</u>	<u>370,000</u>	<u>1,140</u>
Municipal court department:				
Personal services	12,634	13,074	15,310	2,236
Contractual services	12,996	5,132	11,650	6,518
Commodities	<u>201</u>	<u>293</u>	<u>400</u>	<u>107</u>
Total municipal court department	<u>25,831</u>	<u>18,499</u>	<u>27,360</u>	<u>8,861</u>

CITY OF CHENEY, KANSAS

GENERAL FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH BALANCES –
ACTUAL AND BUDGET**

(continued from previous page)

	Year ended December 31,			Variance Over (Under)
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Fire department:				
Personal services	\$ 24,529	\$ 25,128	\$ 34,900	\$ 9,772
Contractual services	40,170	33,776	34,500	724
Commodities	10,836	11,953	14,600	2,647
Capital outlay	7,565	7,207	12,000	4,793
Transfer out	<u>10,000</u>	<u>15,000</u>	<u>15,000</u>	<u>—</u>
Total fire department	<u>93,100</u>	<u>93,064</u>	<u>111,000</u>	<u>17,936</u>
Total public safety	<u>459,361</u>	<u>480,423</u>	<u>508,360</u>	<u>27,937</u>
Highways and streets:				
Street department:				
Personal service	66,839	67,567	77,050	9,483
Contractual services	12,047	16,644	20,500	3,856
Commodities	63,883	65,520	71,650	6,130
Capital outlay	<u>156,033</u>	<u>127,059</u>	<u>180,000</u>	<u>52,941</u>
	298,802	276,790	349,200	72,410
Street light department:				
Contractual services	<u>24,784</u>	<u>23,242</u>	<u>26,000</u>	<u>2,758</u>
Total highways and streets	<u>323,586</u>	<u>300,032</u>	<u>375,200</u>	<u>75,168</u>
Economic development:				
Industrial Development department:				
Contractual services	1,135	475	5,500	5,025
Commodities	<u>1,528</u>	<u>511</u>	<u>(500)</u>	<u>(11)</u>
Total economic development	<u>2,663</u>	<u>986</u>	<u>6,000</u>	<u>5,014</u>
Culture and recreation:				
Parks and Pool department:				
Personal services	30,109	35,871	40,295	4,424
Contractual services	6,605	9,686	8,100	(1,586)
Commodities	6,489	11,276	8,800	(2,476)
Capital outlay	4,642	3,333	4,000	667
Transfers out	<u>12,660</u>	<u>12,452</u>	<u>11,705</u>	<u>(747)</u>
Total parks and pool department	<u>60,505</u>	<u>72,618</u>	<u>72,900</u>	<u>282</u>

CITY OF CHENEY, KANSAS

GENERAL FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH BALANCES –
ACTUAL AND BUDGET
(continued from previous page)**

	Year ended December 31,			
		2011		
	2010	Actual	Budget	Variance
	<u>Actual</u>			<u>Over</u>
				<u>(Under)</u>
Golf Course department:				
Personal services	\$ 265,196	\$ 261,198	\$ 254,365	\$ (6,833)
Contractual services	106,830	132,858	100,800	(32,058)
Commodities	176,048	227,210	180,650	(46,560)
Capital outlay	14,538	21,810	9,800	(12,010)
Debt service	30,637	28,141	28,140	(1)
Transfers out	<u>47,395</u>	<u>51,695</u>	<u>51,695</u>	<u>—</u>
Total Golf Course department	<u>640,644</u>	<u>722,912</u>	<u>625,450</u>	<u>(97,462)</u>
Senior Citizens department:				
Contractual services	<u>3,900</u>	<u>4,208</u>	<u>5,700</u>	<u>1,492</u>
Total culture and recreation	<u>705,049</u>	<u>799,738</u>	<u>704,050</u>	<u>(95,688)</u>
Sanitation department:				
Contractual services	131,854	131,780	125,000	(6,780)
Commodities	<u>17</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Sanitation department	<u>131,871</u>	<u>131,780</u>	<u>125,000</u>	<u>(6,780)</u>
Total expenditures, encumbrances and other uses	<u>1,929,554</u>	<u>1,907,822</u>	<u>\$ 1,947,710</u>	<u>\$ 39,888</u>
Cash receipts over (under) expenditures	(83,147)	29,395		
Unencumbered cash balance, beginning of year	<u>384,899</u>	<u>301,752</u>	<u>\$ 153,355</u>	<u>\$ 148,397</u>
Unencumbered cash balance, end of year	<u>\$ 301,752</u>	<u>\$ 331,147</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF CHENEY, KANSAS

LIBRARY FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH BALANCES –
ACTUAL AND BUDGET**

	Year ended December 31,			
		2011		
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash receipts:				
Taxes	\$ 45,795	\$ 44,608	<u>\$ 44,635</u>	<u>\$ (27)</u>
Expenditures:				
Library Board appropriations	<u>45,795</u>	<u>44,608</u>	<u>\$ 45,225</u>	<u>\$ 617</u>
Cash receipts over expenditures	–	–		
Unencumbered cash balance, beginning of year	<u>218</u>	<u>218</u>	<u>\$ 590</u>	<u>\$ (372)</u>
Unencumbered cash balance, end of year	<u>\$ 218</u>	<u>\$ 218</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF CHENEY, KANSAS

GIFTS AND MEMORIALS FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Donations	\$ 13,022	\$ 9,856
Expenditures:		
Capital outlay	<u>10,827</u>	<u>26,988</u>
Cash receipts over (under) expenditures	2,195	(17,132)
Unencumbered cash balance, beginning of year	<u>6,462</u>	<u>23,594</u>
Unencumbered cash balance, end of year	<u>\$ 8,657</u>	<u>\$ 6,462</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CHENEY, KANSAS

PARKS AND RECREATION FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Taxes	\$ —	\$ —
Expenditures:		
Contractual services	<u> —</u>	<u> —</u>
Cash receipts over expenditures	<u> —</u>	<u> —</u>
Unencumbered cash balance, beginning of year	<u> 248</u>	<u> 248</u>
Unencumbered cash balance, end of year	<u><u>\$ 248</u></u>	<u><u>\$ 248</u></u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CHENEY, KANSAS

CHENEY PUBLIC BUILDING COMMISSION

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Debt issue proceeds	\$575,000	\$ —
Transfers in	<u>51,695</u>	<u>47,395</u>
Total cash receipts	<u>626,695</u>	<u>47,395</u>
Expenditures:		
Contractual services	15,987	—
Debt service	<u>606,472</u>	<u>47,395</u>
Total expenditures	<u>622,459</u>	<u>47,395</u>
Cash receipts over expenditures	4,236	—
Unencumbered cash balance, beginning of year	<u>—</u>	<u>—</u>
Unencumbered cash balance, end of year	<u>\$ 4,236</u>	<u>\$ —</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CHENEY, KANSAS

BOND AND INTEREST FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH BALANCES –
ACTUAL AND BUDGET**

	Year ended December 31,			
		2011		
	2010	Actual	Budget	Variance
	<u>Actual</u>			Over (Under)
Revenues:				
Taxes	\$104,088	\$ 83,673	\$ 83,876	\$ (203)
Special assessments	264,784	167,450	191,000	(23,550)
Use of money and property	2,990	3,604	2,500	1,104
Debt issue proceeds	<u>–</u>	<u>517,990</u>	<u>–</u>	<u>517,990</u>
Total cash receipts	<u>371,862</u>	<u>772,717</u>	<u>\$ 277,376</u>	<u>\$ 495,341</u>
Expenditures:				
Principal	159,786	675,382	\$ 168,482	\$ (506,900)
Interest and fiscal charges	86,448	82,809	120,297	37,488
Bond issue costs	<u>–</u>	<u>7,162</u>	<u>–</u>	<u>(7,162)</u>
	246,234	765,353	288,779	(476,574)
Adjustment for qualifying budget credits	<u>–</u>	<u>–</u>	<u>517,990</u>	<u>517,990</u>
Total expenditures	<u>246,234</u>	<u>765,353</u>	<u>\$ 806,769</u>	<u>\$ 41,416</u>
Cash receipts over expenditures	125,628	7,364		
Unencumbered cash balance, beginning of year	<u>46,716</u>	<u>172,344</u>	<u>\$ 11,403</u>	<u>\$ 160,941</u>
Unencumbered cash balance, end of year	<u>\$172,344</u>	<u>\$179,708</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF CHENEY, KANSAS

PARK IMPROVEMENT PROJECT FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Interest	\$ 145	\$ 379
Transfers in	<u>12,452</u>	<u>12,660</u>
Total cash receipts	<u>12,597</u>	<u>13,039</u>
Expenditures:		
Contractual services	750	22,550
Debt service	<u>11,703</u>	<u>11,910</u>
Total expenditures	<u>12,453</u>	<u>34,460</u>
Cash receipts over (under) expenditures	144	(21,421)
Unencumbered cash balance, beginning of year	<u>20,239</u>	<u>41,660</u>
Unencumbered cash balance, end of year	<u>\$ 20,383</u>	<u>\$ 20,239</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CHENEY, KANSAS

WATER MAIN REPLACEMENT PROJECT FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Proceed from State of Kansas revolving loan	\$ —	\$ 9,825
Expenditures:		
Capital outlay	<u> —</u>	<u> —</u>
Cash receipts over expenditures		9,825
Unencumbered cash balance (deficit), beginning of year	<u> —</u>	<u>(9,825)*</u>
Unencumbered cash balance (deficit), end of year	<u>\$ —</u>	<u>\$ —</u>

* – Per K.S.A. 10-1116, the limits of indebtedness may be exceeded when provision has been made for payment by the issuance of bonds or temporary notes. At December 31, 2010, the City had \$9,825 of unreceived State of Kansas revolving loan proceeds related to this project.

The accompanying notes are an integral
part of the financial statements.

CITY OF CHENEY, KANSAS

NORTHRIDGE ESTATES WATER IMPROVEMENT PROJECT FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Taxes	\$ 1,582	\$ 1,582
Expenditures:		
Capital outlay	<u>—</u>	<u>—</u>
Cash receipts over expenditures	1,582	1,582
Unencumbered cash balance (deficit), beginning of year	<u>(19,415)*</u>	<u>(20,997)</u>
Unencumbered cash balance (deficit), end of year	<u>\$ (17,833)</u>	<u>\$ (19,415)</u>

* – Per K.S.A. 10-1116, the limits of indebtedness may be exceeded when provision has been made for payment by the issuance of bonds or temporary notes.

The accompanying notes are an integral
part of the financial statements.

CITY OF CHENEY, KANSAS

CAPITAL IMPROVEMENT RESERVE FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Interest	\$ 497	\$ 715
Expenditures:		
Capital outlay	<u>—</u>	<u>17,046</u>
Cash receipts over (under) expenditures	497	(16,331)
Unencumbered cash balance, beginning of year	<u>39,457</u>	<u>55,788</u>
Unencumbered cash balance, end of year	<u>\$ 39,954</u>	<u>\$39,457</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CHENEY, KANSAS

CAPITAL EQUIPMENT RESERVE FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Interest	\$ 2,207	\$ 1,470
Transfers in	<u>40,100</u>	<u>90,000</u>
Total cash receipts	<u>42,307</u>	<u>91,470</u>
Expenditures:		
Capital outlay	51,110	4,782
Debt service	<u>25,607</u>	<u>—</u>
Total expenditures	<u>76,717</u>	<u>4,782</u>
Cash receipts over (under) expenditures	(34,410)	86,688
Unencumbered cash balance, beginning of year	<u>207,776</u>	<u>121,088</u>
Unencumbered cash balance, end of year	<u>\$173,366</u>	<u>\$207,776</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CHENEY, KANSAS

CAPITAL EQUIPMENT POLICE RESERVE FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Miscellaneous	\$ —	\$ 3,617
Expenditures:		
Capital outlay	<u> —</u>	<u> 3,597</u>
Cash receipts over expenditures	—	20
Unencumbered cash balance, beginning of year	<u> 20</u>	<u> —</u>
Unencumbered cash balance, end of year	<u>\$ 20</u>	<u>\$ 20</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CHENEY, KANSAS

CAPITAL EQUIPMENT FIRE RESERVE FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts		
Interest	\$ 408	\$ 320
Transfer in	<u>15,000</u>	<u>10,000</u>
Total cash receipts	15,408	10,320
Expenditures:		
Capital outlay	<u>4,163</u>	<u>—</u>
Cash receipts over expenditures	11,245	10,320
Unencumbered cash balance, beginning of year	<u>33,463</u>	<u>23,143</u>
Unencumbered cash balance, end of year	<u>\$44,708</u>	<u>\$33,463</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CHENEY, KANSAS

WATER UTILITY FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH BALANCES –
ACTUAL AND BUDGET**

	Year ended December 31,			
		2011		
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash receipts:				
Sales of services	\$ 353,470	\$ 382,941	\$ 295,100	\$ 87,841
Interest earnings	2,742	3,162	4,200	(1,038)
Debt issue proceeds	—	182,010	—	182,010
Miscellaneous	<u>1,564</u>	<u>6,328</u>	<u>500</u>	<u>5,828</u>
Total cash receipts	<u>357,776</u>	<u>574,441</u>	<u>\$ 299,800</u>	<u>\$ 274,641</u>
Expenditures:				
Personal services	130,285	110,318	\$ 112,600	\$ 2,282
Contractual services	53,262	83,145	80,600	(2,545)
Commodities	14,787	14,070	14,950	880
Capital outlay	11,572	6,697	45,000	38,303
Debt service	106,594	265,365	84,630	(180,735)
Transfers out	<u>—</u>	<u>5,000</u>	<u>5,000</u>	<u>—</u>
	316,500	484,595	342,780	(141,815)
Adjustment for qualifying budget credits	<u>—</u>	<u>—</u>	<u>182,010</u>	<u>182,010</u>
Total expenditures	<u>316,500</u>	<u>484,595</u>	<u>\$ 524,790</u>	<u>\$ 40,195</u>
Cash receipts over expenditures	41,276	89,846		
Unencumbered cash balance, beginning of year	<u>176,202</u>	<u>217,478</u>	<u>\$ 131,808</u>	<u>\$ 85,670</u>
Unencumbered cash balance, end of year	<u>\$ 217,478</u>	<u>\$ 307,324</u>	<u>\$ 88,828</u>	<u>\$ 218,496</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CHENEY, KANSAS

SEWER UTILITY FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH BALANCES –
ACTUAL AND BUDGET**

	Year ended December 31,			
		2011		
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash receipts:				
Sales of services	\$ 259,400	\$ 301,605	\$ 256,500	\$ 45,105
Interest earnings	<u>5,532</u>	<u>4,335</u>	<u>9,500</u>	<u>(5,165)</u>
Total cash receipts	<u>264,932</u>	<u>305,940</u>	<u>\$ 266,000</u>	<u>\$ 39,940</u>
Expenditures:				
Personal services	135,133	133,710	\$ 142,000	\$ 8,290
Contractual services	24,709	21,443	35,200	13,757
Commodities	7,668	8,298	10,400	2,102
Capital outlay	7,732	826	95,000	94,174
Debt service	80,368	78,582	80,368	1,786
Transfers out	<u>—</u>	<u>12,500</u>	<u>12,500</u>	<u>—</u>
Total expenditures	<u>255,610</u>	<u>255,359</u>	<u>\$ 375,468</u>	<u>\$ 120,109</u>
Cash receipts over expenditures	9,322	50,581		
Unencumbered cash balance, beginning of year	<u>324,071</u>	<u>333,393</u>	<u>\$ 253,600</u>	<u>\$ 79,793</u>
Unencumbered cash balance, end of year	<u>\$ 333,393</u>	<u>\$ 383,974</u>	<u>\$ 144,132</u>	<u>\$ 239,842</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CHENEY, KANSAS

GAS UTILITY FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH BALANCES –
ACTUAL AND BUDGET**

	Year ended December 31,			
		2011		
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash receipts:				
Sales of services	\$ 717,815	\$ 564,547	\$ 878,800	\$ (314,253)
Interest earnings	4,731	4,154	7,500	(3,346)
Other	<u>439</u>	<u>737</u>	<u>300</u>	<u>437</u>
Total revenues	<u>722,985</u>	<u>569,438</u>	<u>\$ 886,600</u>	<u>\$ (317,162)</u>
Expenditures:				
Personal services	139,825	151,946	\$ 149,580	\$ (2,366)
Contractual services	57,862	56,891	63,300	6,409
Commodities	450,022	357,766	716,100	358,334
Capital outlay	13,110	7,328	18,000	10,672
Interest expense	134	—	—	—
Transfers out	<u>—</u>	<u>30,000</u>	<u>30,000</u>	<u>—</u>
Total expenditures	<u>660,953</u>	<u>603,931</u>	<u>\$ 976,980</u>	<u>\$ 373,049</u>
Cash receipts over (under) expenditures	62,032	(34,493)		
Unencumbered cash balance, beginning of year	<u>191,173</u>	<u>253,205</u>	<u>\$ 186,473</u>	<u>\$ 66,732</u>
Unencumbered cash balance, end of year	<u>\$ 253,205</u>	<u>\$ 218,712</u>	<u>\$ 96,093</u>	<u>\$ 122,619</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CHENEY, KANSAS

WATER MAINTENANCE RESERVE FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Interest	\$ 63	\$ 32
Transfers in	<u>5,000</u>	<u>—</u>
Total cash receipts	5,063	32
Expenditures:		
Capital outlays	<u>—</u>	<u>—</u>
Cash receipts over expenditures	5,063	32
Unencumbered cash balance, beginning of year	<u>5,024</u>	<u>4,992</u>
Unencumbered cash balance, end of year	<u>\$10,087</u>	<u>\$ 5,024</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CHENEY, KANSAS

SEWER MAINTENANCE RESERVE FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Interest	\$ 2,012	\$ 1,021
Expenditures:		
Capital outlay	<u>—</u>	<u>—</u>
Cash receipts over expenditures	2,012	1,021
Unencumbered cash balance, beginning of year	<u>159,790</u>	<u>158,769</u>
Unencumbered cash balance, end of year	<u>\$161,802</u>	<u>\$159,790</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CHENEY, KANSAS

GAS MAINTENANCE RESERVE FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Interest	\$ 2,044	\$ 1,038
Expenditures:		
Capital outlays	<u>—</u>	<u>—</u>
Cash receipts over expenditures	2,044	1,038
Unencumbered cash balance, beginning of year	<u>162,400</u>	<u>161,362</u>
Unencumbered cash balance, end of year	<u>\$164,444</u>	<u>\$162,400</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CHENEY, KANSAS

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS –
ALL AGENCY FUNDS**

Year ended December 31, 2011

	Beginning Cash Balance January 1, <u>2011</u>	Cash Receipts	Cash Disbursements	Ending Cash Balance December 31, <u>2011</u>
Payroll Clearing Fund	\$ 3,184	\$ 1,069,524	\$1,071,536	\$ 1,172
Agency Fund	280	27,901	27,584	597
Meter Deposit Fund	<u>28,919</u>	<u>15,158</u>	<u>11,253</u>	<u>32,824</u>
Total	<u>\$32,383</u>	<u>\$ 1,112,583</u>	<u>\$1,110,373</u>	<u>\$ 34,593</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CHENEY, KANSAS
NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Reporting entity

The City of Cheney, Kansas is incorporated under the laws of the State of Kansas. The City operates under a Mayor-Council form of City government consisting of an elected Mayor and five council persons and provides services to the citizens in the areas of highways and streets, water service, wastewater treatment, gas service, public improvement, public safety, planning and zoning, recreation, and general administrative services.

These financial statements present the City of Cheney, Kansas (the primary government) and its component units. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. The component units discussed in the following paragraphs are included in the City's reporting entity because the primary government is considered financially accountable or the economic resources received and held by the separate organization is entirely for the direct benefit of the primary government.

Discretely presented component unit

The component unit section of these financial statements includes the financial data of the Cheney Public Library. A seven-member board appointed by the Mayor with approval by the City Council governs the Cheney Public Library Board. The Cheney Public Library Board operates the public library in the City. The Library Board may not purchase or lease a site or erect a building for use of the library without the approval of the City Council. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. These taxes are accounted for in the Library special revenue fund of the City. The Library Board also receives funding through state assistance programs and donations from the public. The Cheney Public Library does not issue separate audited financial statements.

Blended component unit

A five-member board appointed by the City Council governs the Cheney Public Building Commission. Although it is legally separate from the City, the Cheney Public Building Commission is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings. The financial activities of the Cheney Public Building Commission are reflected in the Cheney Public Building Commission special revenue fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation

The accounts of the City are organized and operated on the basis of funds, each of which is defined as an accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

In accordance with state statutes, several different types of funds and account groups are used to record the City's financial transactions. For financial reporting, they have been grouped and are presented in this report as follows:

Governmental fund types

General Fund – The General Fund is used to account for and report all financial resources not accounted for in another fund.

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects

Debt Service Fund – The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Fund – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Proprietary fund types

Enterprise funds – Enterprise funds are used to account for operations where it is the stated intent that costs of providing that service to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary fund types

Agency funds – Agency funds are used to account for assets held by the City as an agent for individuals, private organizations and other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting

The financial statements are presented on the statutory basis of accounting. The statutory basis is a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The City has approved a resolution that is in compliance with K.S.A.75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Departure from accounting principles generally accepted in the United States of America

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense and liabilities such as deferred revenue and matured principal and interest payable and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for land, buildings, infrastructure and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary principles

The City is required by state statute to legally adopt annual operating budgets for the general fund, special revenue funds (unless exempted by specific statute), debt service fund and enterprise funds. A legal operating budget is not required for the Gifts and Memorials, Parks and Recreation, Capital Improvement Reserve, Capital Equipment Reserve, Capital Equipment Fire Reserve, Capital Equipment Police Reserve, Water Maintenance Reserve, Sewer Maintenance Reserve, Gas Maintenance Reserve, Park Improvement Reserve, Northridge Estates Water Improverment Project and Cheney Public Building Commission funds.

The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. This process requires a notice of public hearing to amend the budget to be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for 2011.

Kansas statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract.

All unencumbered appropriations lapse at the end of the year, except for capital project fund appropriations, which are carried forward until such time as the project is completed or terminated.

Controls over spending in funds which are not subject to legal budgets are maintained by other statutes or by the use of internal spending limits established by management.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits and investments

Deposits and investments include amounts in demand deposit, money market savings and certificate of deposit accounts. Deposits are reported at carrying amounts, which approximate fair value. Cash balances in all funds are considered in determining the amount to be invested and, unless specifically designated, investment income is generally apportioned to the various funds in the ratio of invested balances.

Compensated absences

The City's policies regarding vacation pay permits all full-time employees, beginning with the date of employment, to earn one day of vacation per month worked and after fifteen or more years of service employees earn one and one half days per month worked. Part-time employees who work at least 20 hours or more per week earn four hours for each month of employment. No paid vacation leave may be taken in the first six months of employment. Employees may carry over into a new fiscal year a maximum of 20 days of vacation time unless a special agreement has been reached with the Department Head, City Administrator and the City Council. Upon termination of employment with the City, an employee shall be compensated for all earned but unused vacation leave at their final rate of pay.

All full-time employees earn eight hours of sick leave for each full month of service. Part-time employees who work at least 20 hours or more per week earn four hours of sick leave for each month of employment. Policies allow for a maximum accumulation of 720 hours of sick leave. At termination of employment with the City all unused sick leave is forfeited. The liabilities for accrued compensated absences are based on current salary costs and the vested portion of accumulated benefits.

Pension plan

All full-time employees are members of the State of Kansas Public Employees' Retirement System (KPERs), which is a cost sharing multi-employer statewide pension plan. The City's policy is to fund all pension costs as accrued; such costs to be funded are determined annually by the system's actuary.

Concentration of credit risk

The City routinely grants credit to utility customers, in accordance with applicable utility rate ordinances, all of which are located within the environs of the City. The City does not require security deposits for the credit granted to all utility customers however, tap fees or hook-up charges are assessed by the City when the utility service is provided.

Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

Subsequent events have been evaluated through November 8, 2012, which is the date the financial statements were available to be issued.

2. DEPOSITS AND INVESTMENTS

Investments

At December 31, 2011 the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value/ Carrying Amount</u>	<u>Maturities in Less than One Year</u>	<u>Rating</u>
Money Market Fund - Federated Treasury Obligation Fund	\$28,129	\$28,129	N/A

The City's trustee related to the certificates of participation transaction entered into by the City during 2004 is holding the above investments.

K.S.A. 9-1401 establishes the depositories, which may be used by governmental entities in Kansas. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Depository Insurance Corporation coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City's allocation of investments as of December 31, 2011, is as follows:

Money Market Fund – Federated Treasury Obligation Fund	100%
--	------

Custodial credit risk – deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in

2. DEPOSITS AND INVESTMENTS (continued)

the possession of an outside party. The City's policy follows applicable State Statutes and requires deposits in excess of Federal Deposit Insurance Corporation (FDIC) to be 100% secured by collateral (pledged securities) valued at market. State Statutes define the allowable pledged securities.

At year-end, the carrying amount of the City's deposits was \$2,134,045, with the bank balances of such accounts being \$2,199,718. Of the bank balances, \$252,505 was covered by federal depository insurance and the remaining balance of \$1,947,213 was covered by collateral held by the City's custodial banks in joint custody in the name of the City and its banks. The fair value of those pledged securities held by the City's custodial investment agencies was \$3,142,377 at December 31, 2011.

The City's discretely presented component unit cash and investments at December 31, 2011 consisted of demand deposit, money market and savings accounts and certificates of deposit. At year-end, the carrying amount of the discretely presented component unit deposits was \$75,533 with the bank balances of such accounts being \$75,533. The bank balances were entirely secured by FDIC insurance at December 31, 2011.

3. PENSION PLAN

Plan description

The City participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KPERS provide retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS, 611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803.

Funding policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for participants employed prior to July 1, 2009 and at 6% for new participants employed July 1, 2009 and thereafter. The City collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for the period from January 1, 2011 to December 31, 2011 was 7.74%. Included in this rate is the contribution for the Group Death and Disability Insurance of 1.0% which from April 1, 2011 through June 30, 2011 there was a moratorium on the collection thereof. The City's contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$59,046 , \$56,165 and \$42,953, respectively, equal to the statutory required contributions for each year.

4. LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2011:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General Obligation Refunding and Improvement Bonds, Series A 2003	1.25-4.25	05-15-03	\$1,690,000	11-01-18	\$ 825,000	\$ -	\$ 825,000	\$ -	\$ 35,927
General Obligation Bonds, Series 2004	3.00-5.60	04-15-04	154,000	11-01-19	100,000	-	10,000	90,000	3,885
General Obligation Bonds, Series A 2006	4.00-6.00	09-01-06	1,380,000	09-01-26	1,185,000	-	55,000	1,130,000	52,365
General Obligation Refunding Bonds, Series 2011	1.875-2.25	12-15-11	700,000	11-01-18	-	700,000	-	700,000	-
Public Building Commission Revenue Bonds Series 2004	3.35-5.00	04-01-04	650,000	10-01-24	585,000	-	555,000	30,000	51,473
Public Building Commission Refunding Revenue Bonds Series 2004	2.00-3.625	12-15-11	575,000	10-01-24	-	575,000	-	575,000	-
Certificates of Participation, Series 2004	3.40-5.00	10-01-04	165,000	10-01-24	140,000	-	5,000	135,000	6,703
Capital Lease Obligation - Volvo Loader	4.75	06-21-10	48,000	08-10-12	48,000	-	23,541	24,459	2,066
Capital Lease Obligation - Golf Carts	4.75	04-12-10	100,000	08-01-14	100,000	-	22,673	77,327	5,468
Capital Lease Obligation - Police Car	4.75	05-23-11	10,000	05-23-12	-	10,000	-	10,000	-
Note Payable to Kansas Department Of Health and Environment	3.51	05-31-00	1,148,001	09-01-21	728,159	-	55,290	672,869	23,292
Note Payable to Kansas Department Of Health and Environment	3.79	10-08-08	601,494	08-01-29	<u>556,820</u>	<u>-</u>	<u>20,467</u>	<u>536,353</u>	<u>20,912</u>
Total contractual indebtedness					4,267,979	1,285,000	1,571,971	3,981,008	202,091
Compensated absences					<u>50,446</u>	<u>43,002</u>	<u>42,119</u>	<u>51,329</u>	<u>-</u>
Total long-term debt					<u>\$4,318,425</u>	<u>\$1,328,002</u>	<u>\$1,614,090</u>	<u>\$ 4,032,337</u>	<u>\$ 202,091</u>

4. LONG-TERM DEBT (continued)

General obligation bonds

General obligation bonds payable consist of serial bonds to be retired through calendar year 2026 and term bonds of \$240,000 and \$270,000 with stated maturities on September 1, 2022 and 2025, respectively and term bonds of \$150,000 and \$160,000 with stated maturities on November 1, 2016 and 2018, respectively. At December 31, 2011 the bonds consist of the following:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 220,000	\$ 65,380	\$ 285,380
2013	230,000	60,653	290,653
2014	145,000	54,392	199,392
2015	150,000	50,113	200,113
2016	150,000	45,674	195,674
2017	160,000	41,192	201,192
2018	165,000	36,073	201,073
2019	90,000	30,702	120,702
2020	75,000	26,885	101,885
2021	80,000	23,660	103,660
2022	85,000	20,220	105,220
2023	85,000	16,565	101,565
2024	90,000	12,783	102,783
2025	95,000	8,777	103,777
2026	<u>100,000</u>	<u>4,550</u>	<u>104,550</u>
	<u>\$ 1,920,000</u>	<u>\$ 497,619</u>	<u>\$ 2,417,619</u>

The General Obligation Bonds, Series 2004, maturing in the years 2013 and thereafter may be called for redemption and payment prior to their stated maturity on November 1, 2012, and thereafter as a whole or in part at any time, at the redemption price of 100%, plus accrued interest thereon to the redemption date.

The General Obligation Bonds, Series A 2006, maturing in years 2015 and thereafter, may be called for redemption and payment prior to their stated maturity date on September 1, 2014, and thereafter as a whole or in part at any time, at the redemption price of 100%, plus accrued interest thereon to the redemption date.

During 2011, the City issued General Obligation Refunding Bonds, Series 2011 in the principal amount of \$700,000. Proceeds from the issue were used to retire the outstanding bonds remaining from the General Obligation Refunding and Improvement Bonds, Series A, 2003. The General Obligation Refunding Bonds, Series 2011, maturing in years 2018 and thereafter, may be called for redemption and payment prior to their stated maturity date on November 1, 2017, and thereafter as a whole or in part at any time, at the redemption price of 100%, plus accrued interest thereon to the redemption date.

4. LONG-TERM DEBT (continued)

The term bonds with stated maturities of September 1, 2022 and 2025 and November 1, 2016 and 2018 are subject to mandatory redemption and payment prior to stated maturity at a redemption price equal to 100% of the principal amount thereon plus accrued interest to the redemption date.

Public Building Commission revenue bonds

Public Building Commission revenue bonds consist of serial bonds to be retired October 1, 2012 through calendar year 2015 and term bonds of \$125,000, \$105,000 and \$230,000 due October 1, 2018, 2020 and 2024, respectively. At December 31, 2011 the revenue bonds consist of the following:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 40,000	\$ 15,072	\$ 55,072
2013	35,000	17,413	52,413
2014	35,000	16,712	51,712
2015	35,000	15,663	50,663
2016	40,000	14,612	54,612
2017	40,000	13,613	53,613
2018	45,000	12,612	57,612
2019	55,000	11,488	66,488
2020	50,000	9,837	59,837
2021	55,000	8,337	63,337
2022	55,000	6,344	61,344
2023	60,000	4,350	64,350
2024	<u>60,000</u>	<u>2,175</u>	<u>62,175</u>
	<u>\$ 605,000</u>	<u>\$ 148,228</u>	<u>\$ 753,228</u>

During 2011, the City issued City of Cheney, Kansas Public Building Commission Refunding Revenue Bonds, Series 2011 in the principal amount of \$575,000. Proceeds from the issue were used to advance refund \$530,000 of the outstanding bonds remaining from the City of Cheney, Kansas Public Building Commission Revenue Bonds, Series 2004.

The City of Cheney, Kansas Public Building Commission Refunding Revenue Bonds, Series 2011, maturing in the years 2020 and thereafter may be called for redemption and payment prior to their stated maturity on October 1, 2019, and thereafter as a whole or in part at any time, at the redemption price of 100%, plus accrued interest thereon to the redemption date.

The term bonds with stated maturities of October 1, 2018, 2020 and 2024 are subject to mandatory redemption and payment prior to stated maturity at a redemption price equal to 100% of the principal amount thereon plus accrued interest to the redemption date.

4. LONG-TERM DEBT (continued)

Certificates of Participation

Certificates of participation will be retired through calendar year 2024. At December 31, 2011 the Certificates consist of the following:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 5,000	\$ 6,495	\$ 11,495
2013	10,000	6,080	16,080
2014	10,000	5,665	15,665
2015	10,000	5,250	15,250
2016	10,000	4,750	14,750
2017	10,000	4,250	14,250
2018	10,000	3,750	13,750
2019	10,000	3,250	13,250
2020	10,000	2,750	12,750
2021	10,000	2,250	12,250
2022	10,000	1,750	11,750
2023	15,000	1,250	16,250
2024	<u>15,000</u>	<u>750</u>	<u>15,750</u>
	<u>\$ 135,000</u>	<u>\$ 48,240</u>	<u>\$ 183,240</u>

Certificates of Participation dated October 1, 2004, in the original amount of \$165,000 were issued during 2004 pursuant to a lease purchase agreement between the City, as lessee, and Security Bank of Kansas City as trustee and lessor. The 2004 Certificates of Participation have interest rates from 3.40% to 5.00%. The Certificates of Participation were issued to finance the acquisition of park land and improvements thereon.

Capital lease obligations

Capitalized lease obligations will be retired through calendar year 2014. At December 31, 2011 the capital leases consist of the following:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 58,698	\$ 4,894	\$ 63,592
2013	25,921	2,220	28,141
2014	<u>27,167</u>	<u>974</u>	<u>28,141</u>
	<u>\$ 111,786</u>	<u>\$ 8,088</u>	<u>\$ 119,874</u>

4. LONG-TERM DEBT (continued)

During 2010, the City Council entered into a lease agreement for a Volvo loader. The Volvo loader lease agreement provides for semi-annual payments, including interest, in the amount of \$12,803 through August 2012.

During 2010, the City Council entered into a lease agreement for golf carts. The golf carts lease agreement provides for semi-annual payments, including interest, in the amount of \$14,071 through August 2014.

During 2011, the City Council entered into a lease agreement for a police car. The police car lease agreement provides for an annual payment, including interest, in the amount of \$10,476 in May 2012.

Wastewater revolving loan note payable

During 2000, the City entered into a loan agreement with the Kansas Department of Health and Environment (KDHE) for wastewater collection and treatment facility improvements in the City. At December 31, 2011, the outstanding loan balance was \$672,869. The loan agreement provides for semiannual payments in the amount of \$40,184, including interest at 3.51%. The debt service requirements of the note payable to KDHE are being serviced through user fees generated by the Sewer Utility Fund.

Kansas Department of Health and Environment revolving loan will be retired through calendar year 2021. At December 31, 2011 the notes consist of the following:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 57,248	\$ 23,120	\$ 80,368
2013	59,275	21,093	80,368
2014	61,374	18,994	80,368
2015	63,547	16,821	80,368
2016	65,797	14,571	80,368
2017	68,127	12,241	80,368
2018	70,539	9,829	80,368
2019	73,037	7,331	80,368
2020	75,623	4,745	80,368
2021	78,302	2,066	80,368
	<u>\$ 672,869</u>	<u>\$ 130,811</u>	<u>\$ 803,680</u>

4. LONG-TERM DEBT (continued)

Water revolving loan note payable

During 2008, the City entered into a loan agreement with the Kansas Department of Health and Environment (KDHE) for water system improvements in the City. At December 31, 2011, the outstanding loan balance was \$536,353. The loan agreement provides for semiannual payments in the amount of \$20,689, including interest at 3.79%. The debt service requirements of the note payable to KDHE are being serviced through user fees generated by the Water Utility Fund.

Kansas Department of Health and Environment revolving loan will be retired through calendar year 2029. At December 31, 2011 the notes consist of the following:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 21,251	\$ 20,128	\$ 41,379
2013	22,064	19,315	41,379
2014	22,908	18,471	41,379
2015	23,784	17,595	41,379
2016	24,694	16,685	41,379
2017	25,639	15,740	41,379
2018	26,620	14,759	41,379
2019	27,638	13,741	41,379
2020	28,696	12,683	41,379
2021	29,794	11,585	41,379
2022	30,933	10,446	41,379
2023	32,117	9,262	41,379
2024	33,346	8,033	41,379
2025	34,621	6,758	41,379
2026	35,946	5,433	41,379
2027	37,321	4,058	41,379
2028	38,749	2,630	41,379
2029	<u>40,232</u>	<u>1,147</u>	<u>41,379</u>
	<u>\$ 536,353</u>	<u>\$ 208,469</u>	<u>\$ 744,822</u>

Conduit debt

During 2009, the City issued \$800,000 in limited obligation bonds for the purpose of financing capital activities of unrelated third parties. Although conduit debt obligations bear the name of the City, they are payable solely from resources provided by a lease with a third party on whose behalf they were issued. The total amount of limited obligation bonds outstanding at December 31, 2011 was \$660,000. The bonds do not constitute an indebtedness or pledge of the faith or credit of the City of Cheney, and accordingly, are not included as liabilities in the accompanying financial statements.

5. CAPITAL PROJECT AUTHORIZATIONS

At December 31, 2011 capital project authorizations compared with project expenditures from inception are as follows:

	<u>Project authorizations</u>	<u>Expenditures project inception to December 31, 2011</u>
Park Improvement Project	\$ 165,000	\$ 154,185
Water Main Replacement Project	1,142,796	558,010
Northridge Estates Water Improvement Project	47,300	46,459

6. INTERFUND TRANSFERS

A summary of interfund transfers by individual fund for 2011 is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 42,500	\$119,247
Cheney Public Building Commission	51,695	—
Park Improvement Project	12,452	—
Capital Equipment Reserve	40,100	—
Capital Equipment Fire Reserve	15,000	—
Water	—	5,000
Water Maintenance Reserve	5,000	—
Sewer	—	12,500
Gas	—	30,000
	<u>\$166,747</u>	<u>\$166,747</u>

7. OTHER POST EMPLOYMENT BENEFITS

The City does not provide for any post employment benefits in the form of group health insurance or other insurance plans.

8. COMMITMENTS AND CONTINGENCIES

Gas Supply

The City has entered into a contract for the exclusive purchase of gas to ensure the supply of gas available to the City's utility customers. The contract provides that the supplier shall sell and deliver the City's total requirements for gas required for resale in the City's distribution system. Such gas supplies are subject to the vendor's curtailment plan, which is on file with the Kansas Corporation Commission, and other events not within the control of the party to the contract claiming suspension.

8. COMMITMENTS AND CONTINGENCIES (continued)

The City is the defendant in a suit regarding claim for damages to real estate where the City believed it had an easement. Management represents that the City will defend the amount of the claim and is represented by legal counsel provided by the City's insurance carrier. Management represents that any potential liability incurred by the City will not be significant to the City's financial statements.

The City is a party to various claims, none of which are expected to have a material financial impact on the City.

9. RECLASSIFICATIONS AND COMPARATIVE DATA

The amounts shown for 2010 in the accompanying financial statements are included, where practicable, only to provide a basis for comparison with 2011 and are not intended to present all information necessary for a fair presentation in accordance with the statutory basis of presentation. Certain amounts for 2010 have been reclassified to conform to the presentation of similar amounts for 2011.